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A brief history on Doctors Medical Center's struggles

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The reasons for Doctors Medical Center's unsustainable financial situation are a familiar story across the state, as district hospitals bear the strain of treating underinsured and uninsured patients.

Doctors Medical began operations in 1954 as Brookside Hospital, serving the residents of the newly formed West Contra Costa Healthcare District.

At the time, the county had three district hospitals -- the other two have closed or been absorbed by another health care provider.

The hospital did relatively well until the 1990s, when expenses started exceeding revenues as it lost patients with private insurance.

In 1997, the health care district partnered with Tenet, a for-profit hospital company highly regarded for its efficiency and profitability. Tenet took command of health care services delivery and made significant capital investments in the building, property and equipment.

But unable to turn a profit, Tenet backed out in 2004, taking its management team and key infrastructure, including information systems technology, with it.

"Tenet's termination of the partnership is telling," said Dawn Gideon, DMC's interim CEO. "They're good. If they couldn't make money here, no one can."

To stave off closure, the district proposed a special parcel tax ballot measure (Measure D), which 84 percent of voters approved in June 2004.

Despite the 2004 parcel tax, DMC continued to struggle, posting operating losses of \$22.9 million in 2005, according to hospital records, and eating up cash reserves. In 2007 and 2008, interim management made \$17 million in cuts -- thanks in part to bankruptcy

protection -- and secured an infusion of outside funds to stay afloat, with the state, Kaiser and John Muir Health kicking in millions.

But the funding ran out in 2011, just as the problems got worse. Voters passed a second parcel tax in 2011; the district says it may put another parcel tax on the ballot this year. The parcel taxes that voters approved in 2004 and 2011 generate \$10.9 million annually.

DMC officials say that Medicare covers, on average, about 90 percent of the cost of providing care, meaning they lose 10 cents of every dollar. Medi-Cal reimbursement rates are much lower, about 60 percent of the cost of total care.

The net impact of the Affordable Care Act is a reduction in payments of \$2.8 million in 2014, with further reductions in future years, according to Gideon.

"The ACA is part of a larger trend toward consolidation of health care provider facilities," Gideon said. "There will be no stand-alone hospitals not part of a system in 10 years, I think, and the question is whether we can become attractive enough to find a partner to become sustainable."

DMC ran a \$19.5 million deficit in 2013 and projects one of \$16 million this year, despite cutting costs to the bone. The hospital serves as the largest emergency room in West County and a destination for residents of all backgrounds when they suffer heart attacks and strokes, where time is often the difference between life and death, or severe, permanent injury.

"The ACA's fee structure is not the difference between whether the hospital makes it or not," said Contra Costa Supervisor John Gioia, of Richmond. "But its incentives to affiliate with larger systems can be."